

## Message Text

LIMITED OFFICIAL USE

PAGE 01 BUENOS 01446 271529Z

72

ACTION ARA-20

INFO OCT-01 ISO-00 SPC-03 SAM-01 AID-20 EB-11 NSC-10

RSC-01 CIEP-02 TRSE-00 SS-20 STR-08 OMB-01 CEA-02

CIAE-00 FRB-02 INR-10 NSAE-00 XMB-07 OPIC-12 LAB-06

SIL-01 DRC-01 /139 W

----- 054274

R 271330Z FEB 74

FM AMEMBASSY BUENOS AIRES

TO SECSTATE WASHDC 5468

USDOC WASHDC

LIMITED OFFICIAL USE BUENOS AIRES 1446

E.O. 11652: N/A

TAGS: ECON, EIND, AR

SUBJECT: THE BUSINESS CLIMATE IN ARGENTINA: THE PHARMACEU-  
TICAL INDUSTRY

1. IN MY INITIAL CONVERSATIONS WITH MEMBERS OF THE AMERICAN BUSINESS COMMUNITY IN ARGENTINA, I HAVE FOUND A DEEP CONCERN OVER THE WAY THE BUSINESS AND INVESTMENT CLIMATE IS DEVELOPING, AND OVER THE ARGENTINE GOVERNMENT'S FAILURE TO RESPOND ADEQUATELY TO THE PROBLEMS ITS POLICIES HAVE CREATED FOR BUSINESS IN GENERAL. THIS TELEGRAM REPORTS SPECIFICALLY ON THE PROBLEMS OF THE PHARMACEUTICAL INDUSTRY, REPRESENTATIVES OF WHICH CALLED ON ME THIS WEEK. THEIR VIEWS ARE TYPICAL OF THOSE EXPRESSED TO ME BY A NUMBER OF U.S. BUSINESSMEN SINCE MY ARRIVAL.

2. THE PHARMACEUTICAL INDUSTRY IN ARGENTINA INCLUDES SUBSIDIARIES OF MOST OF THE MAJOR U.S. AND EUROPEAN FIRMS AS WELL AS A NUMBER OF SMALL ARGENTINE-OWNED FIRMS, MANY OF WHICH OPERATE ON THE BASIS OF PIRATED ITALIAN TECHNOLOGY. THE AMERICAN PHARMACEUTICAL INDUSTRY PEOPLE WHO VISITED ME FEEL THEIR BASIC PROBLEM LIES IN THE LACK OF ABILITY OF THE MINISTER OF ECONOMY AND HIS PRINCIPAL ASSISTANTS WHO, THEY BELIEVE, HAVE NO REAL

LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 02 BUENOS 01446 271529Z

GRASP OF THE PROBLEMS FACED BY LARGE FIRMS IN TRYING TO COMPLY

WITH IMPROVISED AND SOMETIMES CONTRADICTORY ECONOMIC POLICIES. THEY SAY THERE IS SIMPLY NO MECHANISM WHEREBY THEY CAN BRING SUCH PROBLEMS TO THE ATTENTION OF THE GOVERNMENT AND HAVE THE GOVERNMENT MAKE A GENUINE AND EFFECTIVE EFFORT TO HELP SOLVE THEM.

3. THE GOA HAS MAINTAINED FAIRLY RIGID PRICE CONTROLS SINCE THE PERONIST RETURN TO POWER ON MAY 25, 1973. SOME INDUSTRIES WERE ORDERED TO ROLL BACK PRICES. THE ROLL-BACK IN THE PHARMACEUTICAL INDUSTRY WAS ABOUT 21 PERCENT. MANUFACTURERS TELL US THEY ARE LOSING CONSIDERABLE MONEY ON PHARMACEUTICALS AND ARE BARELY MANAGING TO SURVIVE FROM PROFITS FROM TOILETRIES. SOME MONTHS AGO, THEY ASKED FOR PRICE INCREASES AVERAGING 17.5 PERCENT, WHICH WOULD PUT THEM SLIGHTLY ABOVE THE BREAK EVEN POINT. AFTER THREE MONTHS THEY FINALLY RECEIVED A LETTER FROM THE SECRETARY OF COMMERCE ASKING FOR "FURTHER" INFORMATION. THE REQUESTED INFORMATION HAD BEEN INCLUDED AS AN ATTACHMENT TO THE ORIGINAL LETTER. THIS, THEY FEEL, IS ILLUSTRATIVE OF THE GOA'S INABILITY OR UNWILLINGNESS TO DEAL EFFECTIVELY WITH THEIR PROBLEMS. ANOTHER ILLUSTRATION IS THAT THEY UNDERSTAND THAT THE GOVERNMENT PLANS TO RAISE TAXES ON TOILET ARTICLES BY 4 PERCENTAGE POINTS, BUT DO NOT PLAN TO ALLOW THIS TO BE PASSED ON IN HIGHER PRICES TO CONSUMERS.

4. THE COMPANIES SAY THAT THEY WILL SIMPLY BE UNABLE TO FACE ANY FURTHER EROSION OF THEIR POSITION. THEY TELL ME THE PHARMACEUTICAL MANUFACTURER'S ASSOCIATION LAST WEEK SENT A TELEGRAM TO THE SECRETARY OF COMMERCE URGENTLY REQUESTING PRICE RELIEF AND INFORMING HIM THAT IF RELIEF IS NOT GRANTED, SOME COMPANIES WILL BE FORCED OUT OF BUSINESS.

5. WHILE THEY HAVE NOT YET RECEIVED AN ANSWER TO THEIR TELEGRAM, THEY SAY THAT THE GOVERNMENT'S ATTITUDE IS THAT THEY SHOULD NOT COMPLAIN THAT THEIR PRICES ARE CONTROLLED BECAUSE THE PRICES OF THEIR SUPPLIERS ARE ALSO CONTROLLED, AND BECAUSE WAGES HAVE NOT BEEN RAISED IN THE LAST 7 MONTHS. MANUFACTURERS, HOWEVER, TELL ME THAT THEIR SUPPLIERS ARE USING A NUMBER OF DEVICES TO EXTRACT MORE FROM THEM, SUCH AS UNDERSHIPING, AND TIE-IN DEALS ON UNWANTED BUT UNCONTROLLED PRODUCTS AT HIGH PRICES. IF A MANUFACTURER COMPLAINS, HE NO LONGER GETS SUPPLIES.

LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 03 BUENOS 01446 271529Z

6. I HAVE OFFERED, IF THERE IS A CONSENSUS AMONG THE U.S. FIRMS IN THE INDUSTRY THAT I DO SO, TO MENTION THE SERIOUSNESS OF THIS SITUATION TO THE MINISTER OF ECONOMY WHEN I CALL ON HIM IN THE NEAR FUTURE. IN THIS RESPECT I WOULD APPRECIATE ANY PERTINENT GUIDANCE FROM DEPARTMENT.  
HILL

LIMITED OFFICIAL USE

NNN

## Message Attributes

**Automatic Decaptioning:** X  
**Capture Date:** 01 JAN 1994  
**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
**Concepts:** DRUGS, INDUSTRY, BUSINESSMEN, ECONOMIC ASSISTANCE, BUSINESS FIRMS, PRICE CONTROLS, PRICE TRENDS  
**Control Number:** n/a  
**Copy:** SINGLE  
**Draft Date:** 27 FEB 1974  
**Decaption Date:** 01 JAN 1960  
**Decaption Note:**  
**Disposition Action:** RELEASED  
**Disposition Approved on Date:**  
**Disposition Authority:** MorefiRH  
**Disposition Case Number:** n/a  
**Disposition Comment:** 25 YEAR REVIEW  
**Disposition Date:** 28 MAY 2004  
**Disposition Event:**  
**Disposition History:** n/a  
**Disposition Reason:**  
**Disposition Remarks:**  
**Document Number:** 1974BUENOS01446  
**Document Source:** CORE  
**Document Unique ID:** 00  
**Drafter:** n/a  
**Enclosure:** n/a  
**Executive Order:** N/A  
**Errors:** N/A  
**Film Number:** n/a  
**From:** BUENOS AIRES  
**Handling Restrictions:** n/a  
**Image Path:**  
**ISecure:** 1  
**Legacy Key:** link1974/newtext/t1974027/aaaaafrw.tel  
**Line Count:** 114  
**Locator:** TEXT ON-LINE  
**Office:** ACTION ARA  
**Original Classification:** LIMITED OFFICIAL USE  
**Original Handling Restrictions:** n/a  
**Original Previous Classification:** n/a  
**Original Previous Handling Restrictions:** n/a  
**Page Count:** 3  
**Previous Channel Indicators:** n/a  
**Previous Classification:** LIMITED OFFICIAL USE  
**Previous Handling Restrictions:** n/a  
**Reference:** n/a  
**Review Action:** RELEASED, APPROVED  
**Review Authority:** MorefiRH  
**Review Comment:** n/a  
**Review Content Flags:**  
**Review Date:** 04 SEP 2002  
**Review Event:**  
**Review Exemptions:** n/a  
**Review History:** RELEASED <04 SEP 2002 by boyleja>; APPROVED <04-Sep-2002 by MorefiRH>  
**Review Markings:**

Declassified/Released  
US Department of State  
EO Systematic Review  
30 JUN 2005

**Review Media Identifier:**  
**Review Referrals:** n/a  
**Review Release Date:** n/a  
**Review Release Event:** n/a  
**Review Transfer Date:**  
**Review Withdrawn Fields:** n/a  
**Secure:** OPEN  
**Status:** NATIVE  
**Subject:** THE BUSINESS CLIMATE IN ARGENTINA: THE PHARMACEU- TICAL INDUSTRY  
**TAGS:** ECON, EIND, AR  
**To:** STATE  
**Type:** TE  
**Markings:** Declassified/Released US Department of State EO Systematic Review 30 JUN 2005